A5173-14 9/87

Based on Surveys by the
Health Insurance
Association of America
Policies Issued in 1986
Five Year Trend
1981-1986

NEW GROUP HEALTH INSURANCE

A5173-1L

NEW GROUP HEALTH INSURANCE

Based on Surveys of the Public Relations Division of the Health Insurance Association of America

Note: This is the last issue of New Group Health Insurance*; the survey collecting these data has been discontinued.*

Every two years the Public Relations Division of the Health Insurance Association of America has surveyed new* group health insurance policies written by insurance companies between January 1 and March 31. The 1986 survey included a total of 3,209 cases, covering 389,219 employees and an estimated 583,829 dependents. The 21 companies participating in the survey accounted for 40% of insurance company group health insurance premiums written in the United States in 1985.

The cases have been divided into four size categories, by the number of insured employees: fewer than 25, 25–99, 100–499 and 500 or more. The cases covering 500 or more employees constitute 4% of all cases reported but cover 60% of the employees in the survey. Also, although cases with fewer than 25 employees represent 44% of the cases, they cover only 4% of the employees.

This booklet is limited to an analysis of the data for plans covering 25 to 499 employees in order to eliminate distortions that could result if any one survey period included too few or too many small cases or one or two extremely large cases.

Other annual surveys of new group health insurance policies issued, as well as the recently released profile of group benefits in force† as of December 1984, have shown that, in general, the very small group plans have lower benefit levels and the largest groups have the richest benefit plans.

This booklet is divided into two sections. The first section reports the results of the 1986 survey for groups of 25 to 499 employees. The second section compares the 1981 and 1986 surveys for these same employee-sized groups.

**A "new" case is one underwritten for the first time, or if previously issued, one to which hospital-medical, dental, major medical or disability income benefits have been added.*

†A Profile of Group Major Medical Expense Insurance in the United States, *Health Insurance Association of America.*

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1986 New Group Plan Survey

Please note: This section reports the 1986 survey results for groups of 25 to 499 employees. The section beginning on page 8 reports trends in coverage for groups with 25–499 employees in both 1981 and 1986.

Of the 139,348 employees in employee groups of 25–499 in the 1986 survey, 137,239 employees were covered by group cases written for the first time by the reporting company. An estimated 205,859 dependents were also covered under these cases.

Comprehensive Major Medical Expense Coverage

Of the 92,161 employees with comprehensive major medical expense plans:

- 28% had a single deductible of $200 or more. An additional 5% were covered under deductible plans whereby a $200 deductible is applied to all medical expenses, with the exception of hospital, or surgical and hospital expenses.
- 99% of employees had maximum benefits of $100,000 or more. In fact, 95% had available to them benefits of $1 million or more, or no limit.
- 96% had benefits for treatment of nervous and mental disorders.
- 60% had out-of-pocket limits of $1,000 or less.

Supplementary Major Medical Expense Coverage

Of 23,956 employees with supplementary major medical expense plans:

- 85% had a single deductible of $100 or more before insurance benefits commenced; 8% had a $50 single deductible.
- 92% had maximum benefits of $100,000 or more, or unlimited benefits.
- 95% had benefits for treatment of nervous and mental disorders.
- 69% had out-of-pocket limits of $1,000 or less.

Basic Expense Coverage

Of 15,653 employees in the survey with basic hospital expense plans:

- 75% had insurance that paid in full for semiprivate accommodations.
- 79% were insured fully for miscellaneous hospital expenses of $1,000 or more. 69% had unlimited coverage.

Of 15,346 employees with basic surgical expense plans:

- 87% had maximum benefits of $1,000 or more, including 66% with no maximum.

Among 13,731 employees with medical benefits to help pay in-hospital private physicians' fees:

- 83% had a maximum benefit of $10 or more per visit.

Of 14,517 employees with basic diagnostic X-ray and laboratory services coverage:

- 91% had maximum benefits of $100 or more, including 34% with no limit.

Intensive Care Coverage

Of the 118,020 employees with intensive care accommodation benefits:

- 67% had benefits equal to the hospital daily room and board rate, 15% had no limit on the daily benefits, and 10% had reasonable and customary benefits.

Nursing Home Coverage

Of the 63,930 employees with nursing home or extended care facility coverage:

- 94% had daily room and board benefits of $30 or more, or coverage for a semiprivate room.
- 93% had coverage for 60 days or more of confinement; 27% had a maximum of 120 days or more.

Home Health Care Coverage

Of the 79,866 employees covered for home health care expenses in lieu of hospitalization or confinement in an extended care facility:

- 57% were covered for physician and licensed medical practitioner services.

Cost Containment Features

Of the 118,020 employees with medical care coverage (excluding dental):

- 75% had a provision for reimbursement of generic drug prescriptions.
- 80% had coverage for second opinions on nonemergency surgery.
- 82% were covered for out-patient surgery.
- 76% were covered for preadmission testing.
- 32% were covered for costs of paramedical services.
- 51% were reimbursed for hospice or terminal illness center care.

Preferred Provider Arrangements

Of the 126,232 employees with medical care coverage:

- 9% were covered by contracts that included Preferred Provider Organization (PPO) arrangements.
- Arrangements involving nonemergency physician visits were slightly more common than nonemergency hospital visit coverage.
- The most common method of cost reduction was to lower the insured's coinsurance rate when the PPO doctor/hospital was used—for 55% of the employees under PPO provisions.

Dental Coverage

Of the 56,265 employees with dental coverage:

- 87% had comprehensive dental plans; 71% had a maximum annual benefit of $1,000 or more, or no limit.

All Employees with Medical Care Coverage

Of the 126,232 employees with medical plans:

- 93% had benefits for dependents.
- Excluding those employees with dental coverage only or disability income and dental coverage only, 99% had maternity benefits for themselves or their dependents.
- 85% of employees with maternity coverage were covered for full plan benefits.

Continuation and Conversion Coverage

Of the 126,232 employees with medical care coverage:

- 91% had some provision for continuation or conversion of coverage at retirement or upon termination other than retirement.
- Continuation under the group plan was possible for 20% of the employees in plans with a continuation or conversion privilege for retirees.
- Among employees with provisions for continuation of group coverage, the coverage was supplemental to Medicare for 82% of them.

Short-term Disability Income Coverage

Short-term disability income plans commonly provide benefits for periods of up to 13, 26, 52 or 104 weeks. Of the 23,496 employees with these plans:

- 80% had benefits from the first day of disability due to accident and from no later than the eighth day because of sickness.
- 17% had 13-week benefit plans, 75%, 26-week plans; 8%, 52-week plans or 104-week plans.
- Excluding those with flat amounts, 96% were provided at least one-half of pre-disability income; 61% were provided at least two-thirds.

Long-term Disability Income Coverage

Long-term disability income plans provide benefits for periods ranging from two years to age 65 or 70 or for life. Of the 14,283 employees with these plans:

- 35% had benefits beginning after six months of disability; 39% had benefits beginning after three months.
- 89% had benefit periods extending to age 65 or 70 for both accident and sickness.
- 81% had an average monthly benefit of $700 or more.
- 94% were provided at least 60% of predisability income.

Cost Contributions

Of the 139,348 employees in the survey:

- 98% had health insurance coverage (primary) paid either entirely (55%) or in part (43%) by their employer.
- Of the employees for whom dependent coverage was available, 40% had dependent coverage paid for entirely by their employer; 39% shared the premium with the employer.

Trends in New Group Plans 1981-1986

This section reports on trends in coverage between 1981 and 1986. The section beginning on page 3 reports 1986 data only.

During the five-year period 1981–1986, benefits provided under new group insurance plans increased steadily.

These increases reflect employer and union efforts to keep employee insurance coverage in line with rising health care costs, and the improvement of health insurance plans to meet the employee's need for greater protection. (Note: This section deals only with groups of 25–499 employees. These groups covered 139,348 employees in the 1986 survey and 157,601 employees in the 1981 survey.)

Major Medical Protection

Group major medical insurance coverage helps pay for virtually any type of medical care, in or out of hospital, provided a licensed physician prescribes it. Other characteristics of this coverage are high maximum benefits, a deductible amount the insured person must pay, and a coinsurance arrangement by which the insured person and the insurance company share other costs, the company share usually being 80%. Deductibles and coinsurance help keep premium costs down and discourage unnecessary utilization of health care services.

Group major medical policies fall into two categories: (1) supplementary major medical expense plans that "wrap around" basic plans, mainly to provide benefits for prolonged illnesses, and (2) comprehensive major medical plans that incorporate in one plan both basic coverage and protection against catastrophic expenses. In all these plans, there has been a marked trend toward higher maximum benefit levels. This is most clearly demonstrated by the fact that 90% of the surveyed employees in 1986 had maximum benefits of $1,000,000 or more, compared with 84% in 1981.

In 1986, 33% had unlimited benefits, about the same as in 1981.

Maximum Major Medical Benefit

Maximum Benefit	Percentage of Employees 1981	1986
$ 10,000	1.8%	0.7%
20,000	0.8	1.0
50,000	1.2	0.8
100,000	2.5	2.4
250,000	6.8	2.3
250,001 - 999,999	2.7	2.4
$1,000,000 and over	50.7	57.5
Unlimited	33.5	32.9

Hospital Expense Coverage

Basic group hospital expense plans provide benefits separately for hospital room and board and other hospital services—such as laboratory fees, drugs, dressings and X-rays.

Under some plans a fixed maximum benefit is paid for daily room and board. Other plans pay the full rate for semiprivate room and board.

Maximum Daily Hospital Benefits

Between 1981 and 1986 the percentage of employees with coverage for $110 or more in room and board charges increased from 4% to 8%, while those who had full payment for ward charges increased from 1% to 7%. The number that have full payment for semiprivate accommodations decreased from 88% to 75%.

Maximum Daily Hospital Room and Board Benefits

Maximum Daily Benefit	Percentage of Employees 1981	1986
Less than $60	2.9%	2.2%
60 - 79	1.8	1.4
80 - 99	0.4	1.2
100 - 109	1.9	5.4
$110 or more	4.1	7.9
Full payment - semiprivate	88.0	74.5
Full payment - ward	0.9	7.4

Maximum Hospital Confinement Periods

The trend is to provide more days of covered hospital care. In 1986, 24.6% of the employees were covered for unlimited hospital stays compared with only 6.9% in 1981.

Maximum Number of Days of Basic Hospital Benefits

Maximum Number of Days	Percentage of Employees 1981	1986
Under 70	7.3%	15.6%
70 - 119	20.0	11.0
120 - 189	30.7	29.5
190 - 359	2.0	—
360 or more	33.1	19.3
No maximum	6.9	24.6

Surgical Expense Benefits

Group surgical expense plans help pay for physicians' fees for surgical procedures. Benefits are paid in one of two ways: according to a schedule specifying the maximum payment for each type of operation, or on a "reasonable and customary" basis.

The percentage of employees with "reasonable and customary" benefits increased sharply between 1981 and 1986. In 1986, 70% of the employees had this type of benefit; in 1981, the proportion was 53%.

Among the employees with other types of surgical benefits, 71% in 1986 had benefits of at least $1,000 for one or more operations, compared with 78% in 1981.

Maximum Surgical Benefit

	Percentage of Employees	
Maximum Benefit	**1981**	**1986**
Scheduled Basis:		
Less than $800	7.8%	8.0%
$ 800 - 999	2.5	0.8
1,000 - 1,499	13.2	6.8
1,500 - 1,999	7.4	7.5
2,000 - 2,999	8.3	0.4
$3,000 or more	6.7	2.5
No maximum	1.4	4.1
Reasonable Customary Basis:		
Maximum	0.8	7.8
No maximum	51.9	62.1

Physicians' Expense Benefits

Group basic medical expense plans provide benefits for physicians' services other than surgery. Most often these benefits apply only to physician hospital visits, but some cover physician fees for home or office visits. Benefits may also apply to out-of-hospital laboratory and X-ray expenses. In 1986, 54% of employees with regular medical expense coverage had maximum benefits of $10 or more toward the cost of each physician hospital visit. In 1981, 51% of employees had such maximum benefits. However, these figures do not include in-hospital benefits on a "reasonable and customary" basis; in 1986, 29% of covered employees had this type of benefit, compared with 31% in 1981.

Nursing Home Coverage

Among employees with nursing home care benefits under a basic or major medical policy, 62% had a maximum daily benefit of $60 or more, or were covered for semiprivate charges, in 1986, compared with 40% in 1981. The maximum number of days for which coverage is provided declined slightly between 1981 and 1986. In 1986, 52% had coverage for 90 days or more, compared with 54% in 1981.

Nursing Home Expense Benefits

	Percentage of Employees	
Maximum Daily Benefit	**1981**	**1986**
Less than $40	33.9%	7.1%
$40 - 59	15.7	28.9
60 - 79	4.7	13.1
$80 or more	1.4	12.2
Semiprivate charge	33.6	36.4
All others	10.7	2.3
Maximum Number of Days		
Less than 60	9.2	6.6
60 - 89	37.0	41.7
90 - 109	13.2	25.1
120 - 329	23.5	25.5
360 or more	17.1	1.1

Dental Coverage

Group dental expense insurance helps pay for both dental services and supplies.

In 1986, 45% of the employees with medical care protection had this coverage compared with 40% in 1981. In 1986, 87% of those with dental coverage had comprehensive plans, and 81% of this group had maximums of $1,000 or more.

The proportion of employees covered under "combination" plans declined between 1981 and 1986 from 20% to 12%. Under this type of plan, there is a combination of a deductible and reimbursement dependent on a listed schedule.

Maternity Coverage

The majority of employees with medical insurance over the 1981–1986 period had maternity coverage under their group medical expense plans for themselves or their spouses. It provides a stated benefit for hospital care as well as an allowance for the attending physician.

In 1986, 99% of employees with medical insurance had some form of maternity protection for either themselves or their spouses, compared with 97% in 1981.

Among employees with maternity coverage, 85% were covered for full plan benefits in 1986, compared with 90% in 1981.

Dependent Protection

Practically all group medical plans insure dependents. For example, 93% of the employees in the 25–499 size groups surveyed in 1986 had plans providing dependent coverage. This ratio is about the same as in 1981, when 94% had dependent coverage.

Mental and Nervous Disorders

Ninety-six percent of employees with group major medical coverage had some type of coverage for nervous and mental disorders in 1986 and in 1981. Of those who had this coverage in 1986, 52% were insured in full for the hospital charges, compared with 66% in 1981.

Continuation and Conversion Coverage

In 1986, 91% of employees had some type of arrangement available to them by which they could continue their coverage upon termination of employment. In 1981, 86% had continuation and/or conversion coverage. Coverage for employees was possible through a continuation of the group plan at retirement for 20% in 1986 and 23% in 1981. The more common way of having continued coverage was through conversion to an individual plan without a medical examination.

Disability Income Coverage

Group disability income plans are designed to help pay a portion of an employee's lost wages during disability. Benefits are usually provided, on a weekly or monthly basis, while the employee is totally disabled. Under short-term plans, benefits generally begin after a few days' absence and may be payable for up to two years. Long-term plans provide benefits for two years or longer—sometimes to age 70 or for life. Most plans cover both occupational and nonoccupational disabilities, but where Workers' Compensation benefits apply, disability plan benefits are normally reduced.

Short-term Coverage

Short-term disability income plans provide benefits for up to 13, 26, 52 or 104 weeks, depending on the contract. Most plans are for a 26-week period. Of employees with 26-week plans, the ratio of those with maximum weekly benefits of $150 or more increased to 69% in 1986, up from 47% in 1981.

Short-term Disability Income Coverage

Type of Plan	Percentage of Employees 1981	1986
13-week plans	20.4%	17.2%
26-week plans	72.1	75.2
52-week and 104-week plans	7.5	7.6

Long-term Coverage

Group long-term disability income plans generally provide benefits to age 65 or 70. In 1986, 89% of the employees having long-term disability coverage were insured through group plans providing both accident and sickness benefits to age 65 or 70, up from 1981 when 87% had such coverage. In 1986, 92% had a maximum available monthly income benefit of $2,000 or more, up from 72% in 1981.

Cost Contributions

In 1986, the total cost of group health insurance programs for 55% of employees was paid for by employers, while 43% of employees shared the premium costs, and 2% of employees paid it all themselves.

Contributory Status	Percentage of Employees 1981	1986
Employee pays entire premium	5.4%	2.0%
Employer pays entire premium	38.6	54.9
Employer pays part of premium:		
Less than 50%	9.5	4.2
50% or more	46.5	38.9

Distribution of Cases and Employees Covered by Size of Employee Group and Type of Plan, 1986

Type of Plan	Size of Group: Fewer than 25	25-99	100-499	500 or more	Total
	Percentage of Cases				
Basic:					
Hospital	11.0	33.6	43.1	12.3	100.0
Surgical	10.6	33.4	45.4	10.6	100.0
Physicians' Expense	12.2	30.9	47.1	9.8	100.0
Diagnostic X-ray & Lab	12.2	32.8	45.1	9.9	100.0
Dental	37.5	38.2	18.2	6.1	100.0
Major Medical:					
Supplementary	51.7	30.8	13.4	4.1	100.0
Comprehensive	41.3	41.9	13.4	3.4	100.0
Disability:					
Short-term	38.1	37.6	18.1	6.2	100.0
Long-term	40.5	30.9	19.3	9.3	100.0
	Percentage of Employees				
Basic:					
Hospital	0.4	8.4	37.3	53.9	100.0
Surgical	0.4	9.0	40.4	50.2	100.0
Physicians' Expense	0.5	8.5	41.9	49.1	100.0
Diagnostic X-ray & Lab	0.6	9.2	43.8	46.4	100.0
Dental	3.6	14.0	27.2	55.2	100.0
Major Medical:					
Supplementary	3.1	12.9	21.0	63.0	100.0
Comprehensive	4.7	20.1	23.9	51.3	100.0
Disability:					
Short-term	3.1	12.3	20.7	63.9	100.0
Long-term	2.2	6.2	16.1	75 5	100.0

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